



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

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IN REPLY REFER TO:

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

Oahu

Consent to Sublease Harbor Lease No. H-10-50, Sause Bros., Inc., Lessee, to Kiewit/Kobayashi, A Joint Venture, Sublessee, Kalaeloa Barbers Point Harbor, Honouliuli, Ewa, Oahu, Tax Map Key: (1) 9-1-14:24 (Portion)

APPLICANT:

Sause Bros., Inc., whose business and mailing address is 705 North Nimitz Highway, 2nd Floor, Honolulu, Hawaii 96817, as Sublessor, to Kiewit/Kobayashi, a Joint Venture, a General Domestic Partnership, as Sublessee.

LEGAL REFERENCE:

Section 171-36(a)(6), Hawaii Revised Statutes, as amended.

LOCATION AND AREA:

Portion of lands situated at Kalaeloa Barbers Point Harbor, Honouliuli, Ewa, Oahu identified by Tax Map Key: (1) 9-1-14:24 (Por.) being Parts A & B, subject to any existing and future pipeline easements and proposed realigned access road, as shown on the attached map labeled Exhibit A.

TRUST LAND STATUS:

Non-Ceded, Acquired After Statehood
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: NO

LEASE CHARACTER OF USE:

Office, Maintenance Shed, Storage, and Inter Island Tug Operation purposes.

SUBLEASE CHARACTER OF USE:

Storage of Rail Beams and Containers Loaded with Rail Components purposes.

TERM OF LEASE:

Twenty-five (25 years, commencing on September 1, 2010 and expiring on August 31, 2035. First automatic rental step-up will occur September 1, 2015.

TERM OF SUBLEASE:

Two (2) years.

ANNUAL RENTAL:

\$205,272.00.

ANNUAL SUBLEASE RENTAL:

\$236,520.00

REMARKS:

Sause Bros., Inc. (Sause Bros.) who has complied with all lease terms and conditions currently leases 6.15 acres of land situated at Kalaeloa Barbers Point Harbor for Office, maintenance, storage and inter-island tug operations. Sause Bros. has been shipping to Hawaii rail beams and rail components for the Honolulu Rail Transit Project for Kiewit/Kobayashi, a Joint Venture (Kiewit/Kobayashi). However, due to the delay in construction, the materials are being stored on the lease premises until construction resumes. By their letter dated December 3, 2012, Sause Bros. has requested to sublease approximately 4.5 acres for storage of the rail beams and containers of rail components.

Once the containers and rail beams are set in the yard, there will be no in and out movements until they are needed for construction. The use of the property will strictly be used for storage only.

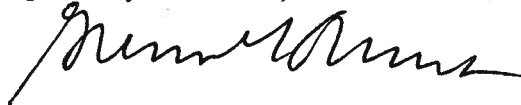
Staff has reviewed the Sublease Premium Evaluation, attached labeled Exhibit B, submitted by the Lessee and has confirmed that participation in the sublease is not warranted.

RECOMMENDATION:

That the Board consent to the sublease under Harbor Lease No. H-10-50 between Sause Bros., Inc., as Sublessor, and Kiewit/Kobayashi, A Joint Venture, as Sublessee, subject to the following terms and conditions:

1. The standard terms and conditions of the most current consent to sublease form, as may be amended from time to time;
2. Review and approval by the Department of the Attorney General; and
3. Such other terms and conditions as may be prescribed by the Director of Transportation to best serve the interests of the State.

Respectfully Submitted,



GLENN M. OKIMOTO, Ph.D.
Director of Transportation

Attachment

APPROVED FOR SUBMITTAL:



WILLIAM J. AILA, JR.
Chairperson and Member
Board of Land and Natural Resources

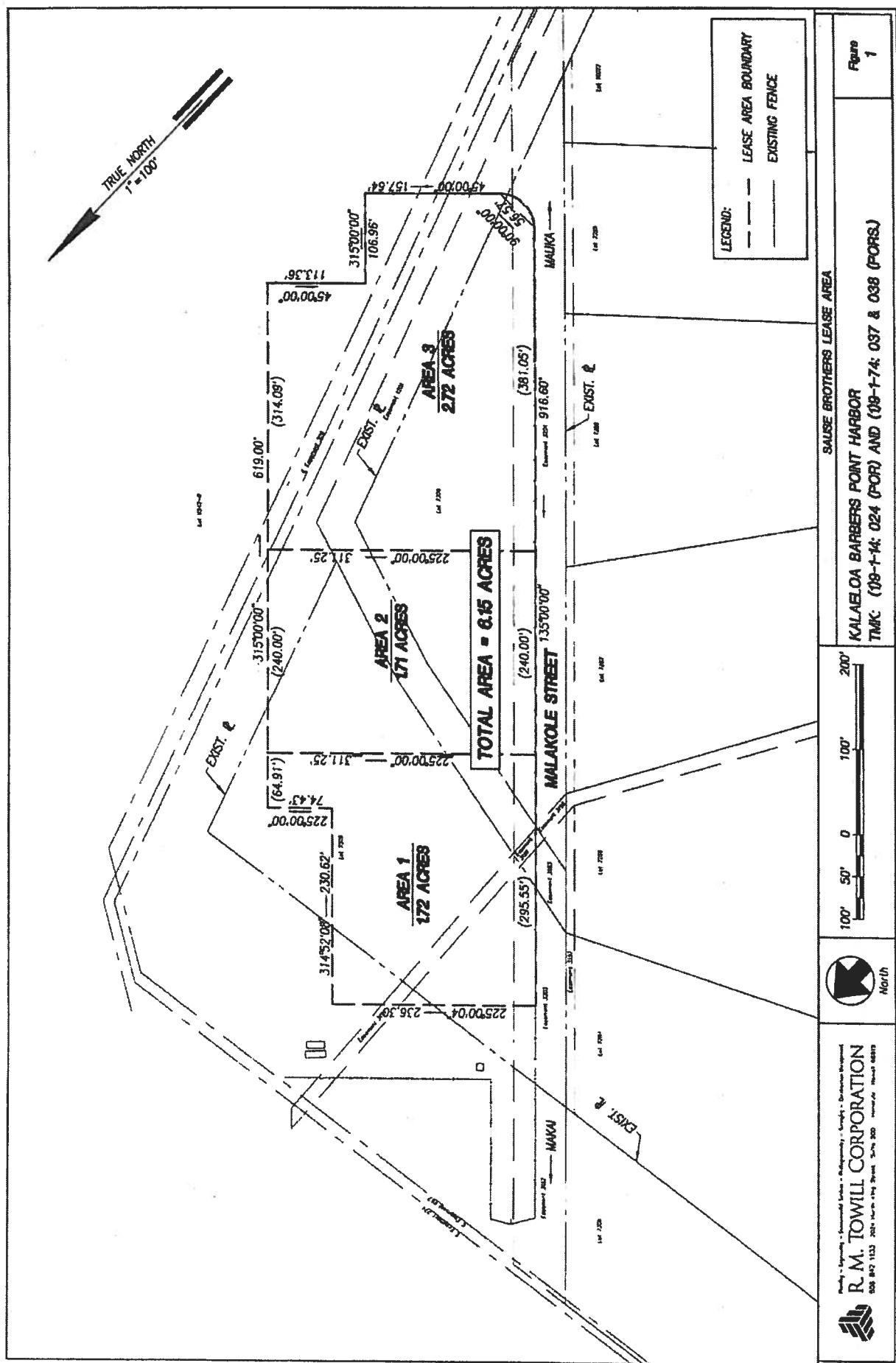


Exhibit A

SUBLEASE PREMIUM EVALUATION

DOT Lease H-10-50

Sause Bros sublease to Klewit-Kyoboshi

Gross Annual Sublease Income

4.5 acres @ \$4,380/acre per month

	\$4,380		
Acres	4.5		
Monthly		\$	19,710
Annually		\$	12
			\$ 238,520
GET	4.71%		\$ 11,145
Total Sublet Income			\$ 247,665

Less GET \$ (11,145)

Effective Income \$ 238,520

Management & vacancy loss 10% \$ 23,852

Investment return (3% bond+6.7recapture+2%premium) 11.70% \$ 8,424

Fixed Expenses

Property Tax (\$84,000/6.15X4.5)	\$	61,483	
Insurance	\$	1,000	
Bond	\$	1,540	
	\$	-	\$ 64,003

Variable Expenses

Security Guard	\$	8,500	
Paving Maintenance	\$	2,000	
Garbage	\$	1,000	\$ 11,500

Reserve for Replacement

\$72,000 / 6.15 Acres X 4.5 Acres / 10 Years	\$	5,268	
	\$	-	
		0	\$ 5,268

DOT Lease H-10-50

Annual Lease Rate	\$ 205,272.00		
Acres	6.15		
\$/Acre	\$ 33,377.56		
Acres to be Sublet	4.5	\$	150,199

Total Allowance \$ 263,047

\$ (26,527)

EXHIBIT B